

# **CHAPTER - I**

## **GENERAL**



## CHAPTER-I: GENERAL

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Bihar during the year 2011-12, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	<b>Revenue raised by the State Government</b>					
	• Tax revenue	5,085.53	6,172.74	8,089.67	9,869.85	12,612.10
	• Non-tax revenue	525.59	1,153.32	1,670.42	985.53	889.86
	<b>Total</b>	<b>5,611.12</b>	<b>7,326.06</b>	<b>9,760.09</b>	<b>10,855.38</b>	<b>13,501.96</b>
2.	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	16,766.29	17,692.51	18,202.58	23,978.38	27,935.23
	• Grants-in-aid	5,831.67	7,962.12	7,564.16	9,698.56	9,882.98
	<b>Total</b>	<b>22,597.96</b>	<b>25,654.63</b>	<b>25,766.74</b>	<b>33,676.94</b>	<b>37,818.21</b>
3.	<b>Total revenue receipts of the State Government<sup>1</sup> (1 and 2)</b>	<b>28,209.08</b>	<b>32,980.69</b>	<b>35,526.83</b>	<b>44,532.32</b>	<b>51,320.17</b>
4.	<b>Percentage of 1 to 3</b>	<b>20</b>	<b>22</b>	<b>27</b>	<b>24</b>	<b>26</b>

(Source: Finance Accounts, Government of Bihar)

The above table indicates that during the year 2011-12, the revenue raised by the State Government (₹ 13,501.96 crore) was 26 per cent of the total revenue receipts against 24 per cent in the preceding year. The balance 74 per cent of receipts during 2011-12 was from the Government of India. The overall increase of 24.38 per cent in revenue raised by the State Government (₹ 13,501.96 crore) during 2011-12 as compared to ₹ 10,855.38 crore during 2010-11 was mainly due to 27.78 per cent increase in tax revenue and 9.71 per cent decrease in non-tax revenue as detailed in paragraphs 1.1.2 and 1.1.3.

<sup>1</sup> For details, please see Statement No. 11 - Detailed accounts of revenue by minor heads in the Finance Accounts of Government for the year 2011-12. Figures under the major heads 0020 - Corporation tax, 0021 - Taxes on income other than corporation tax, 0032 - Taxes on wealth, 0037 - Customs, 0038 - Union excise duties, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services - Minor Head - 901 - Share of net proceeds assigned to the State booked in the Finance Accounts under A - Tax revenue have been excluded from the revenue raised by the State and included in State's share of divisible union taxes in this statement.

**1.1.2** The following table presents the details of tax revenue raised during the period 2007-08 to 2011-12.

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1.	Taxes on Sales, Trade etc.	2,534.80	3,016.47	3,839.29	4,557.18	7,476.36	(+) 64.06
2.	State Excise	525.42	679.14	1,081.68	1,523.35	1,980.98	(+) 30.04
3.	Stamps and Registration Fees						
	Stamps-judicial			53.81	59.05	36.61	
	Stamps – non-judicial	654.15	716.19	708.62	774.20	1,060.28	(+) 34.71
	Registration fees			235.47	265.43	383.18	
4.	Taxes and Duties on Electricity	64.05	67.62	66.63	65.22	54.69	(-) 16.14
5.	Taxes on Vehicles	273.21	297.74	345.13	455.43	569.13	(+) 24.97
6.	Taxes on Goods and Passengers	937.87	1,279.41	1,613.16	2,006.32	828.30	(-) 58.72
7.	Other Taxes on Income and Expenditure - Taxes on Professions, Trades, Callings and Employment	Nil	Nil	Nil	Nil	29.56	NA <sup>2</sup>
8.	Land Revenue	82.10	101.74	123.96	139.02	167.49	(+) 20.48
9.	Other Taxes and Duties on Commodities and Services	13.93	14.43	21.92	24.65	25.52	(+) 3.53
	<b>Total</b>	<b>5,085.53</b>	<b>6,172.74</b>	<b>8,089.67</b>	<b>9,869.85</b>	<b>12,612.10</b>	<b>(+) 27.78</b>

(Source: Finance Accounts, Government of Bihar)

The departments concerned reported the following reasons for variation in collection of tax revenue in 2011-12 as compared to the year 2010-11:

**Taxes on Sales, Trade etc.:** The increase (64.06 per cent) was due to enhancement of rate of tax from four to five per cent for schedule III goods and 12.5 to 13.5 per cent for unscheduled goods.

**Stamps and Registration Fees:** The increase (34.71 per cent) was due to revision of Minimum Valuation Register (MVR) of urban areas throughout the State with effect from 1 April 2011.

The other departments did not inform (January 2013) the reasons for variation, despite being requested (between May and September 2012).

<sup>2</sup> Percentage is not calculated as it is the first year.

**1.1.3** The following table presents the details of non-tax revenue raised during the period 2007-08 to 2011-12.

(₹ in crore)

Sl. No.	Head of Revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) / decrease (-) in 2011-12 over 2010-11
1.	Interest Receipts	170.71	304.57	353.27	237.96	573.70	(+) 141.09
2.	Forestry and Wild Life	6.64	6.15	6.78	7.64	11.04	(+) 44.50
3.	Non-ferrous Mining and Metallurgical Industries	178.66	245.00	319.93	405.59	443.10	(+) 9.25
4.	Miscellaneous General Services	3.02	385.82	770.28	0.34	(-)383.78	NA <sup>3</sup>
5.	Medium Irrigation	9.67	10.64	14.80	15.45	17.59	(+) 13.85
6.	Medical and Public Health	21.07	17.25	14.08	15.33	23.91	(+)55.97
7.	Fisheries	6.57	6.87	7.87	7.28	10.16	(+) 39.56
8.	Roads and Bridges	17.95	26.40	30.02	39.60	60.35	(+) 52.40
9.	Police	23.47	9.44	11.89	11.85	9.26	(-) 21.86
10.	Other Administrative Services	12.00	8.09	9.42	19.98	11.49	(-) 42.49
11.	Other non-tax receipts	75.83	133.09	132.08	224.51	113.04	(-) 49.65
<b>Total</b>		<b>525.59</b>	<b>1,153.32</b>	<b>1,670.42</b>	<b>985.53</b>	<b>889.86</b>	<b>(-) 9.71</b>

(Source: Finance Accounts, Government of Bihar)

As per Finance Accounts, Government of Bihar for the year 2011-12, the reasons for variation in collection of non-tax revenue are as under:

**Interest Receipts:** The increase (141.09 *per cent*) was mainly due to more receipts under interest from Departmental Commercial undertakings and other receipts.

**Miscellaneous General Services:-** The huge decrease was due to Debt waiver amount of ₹ 384.93 crore for the year 2009-10 had been recovered in the Financial year 2011-12 and also less receipts under Panchayati Raj Acts and other receipts.

The other departments did not inform (January 2013) the reasons for variation, despite being requested (between May and September 2012).

<sup>3</sup> Percentage is not shown as it is unrealistic.

## 1.2 Variation between the budget estimates and actual

The variation between the budget estimates of revenue receipts and the actual receipts under the principal heads of tax and non-tax revenue for the year 2011-12 is mentioned below:

(₹ in crore)

Sl. No.	Revenue head	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
<b>• Tax revenue</b>					
1.	Taxes on Sales, Trade etc.	6,508.00	7,476.36	(+) 968.36	(+) 14.88
2.	State Excise	1,790.00	1,980.98	(+) 190.98	(+) 10.67
3.	Stamps and Registration Fees	1,600.00	1,480.07	(-) 119.93	(-) 7.50
4.	Taxes on Vehicles	537.00	569.13	(+) 32.13	(+) 5.98
5.	Taxes and Duties on Electricity	60.70	54.69	(-) 6.01	(-) 9.90
6.	Land Revenue	125.20	167.49	(+) 42.29	(+) 33.78
7.	Other Taxes and Duties on Commodities and Services	20.98	25.52	(+) 4.54	(+) 21.64
8.	Taxes on Goods and Passengers	1,940.00	828.30	(-) 1,111.70	(-) 57.30
<b>• Non-tax revenue</b>					
1.	Non-Ferrous Mining and Metallurgical Industries	280.00	443.10	(+) 163.10	(+) 58.25
2.	Forestry and Wild Life	8.00	11.04	(+) 3.04	(+) 38.00
3.	Interest Receipts	370.82	573.70	(+) 202.88	(+) 54.71
4.	Medium Irrigation	4.00	17.59	(+) 13.59	(+) 339.75

(Source: Revenue and Capital Receipt, (Detail): Finance Accounts, Government of Bihar)

The Commercial Taxes Department attributed the reason for increase (14.88 per cent) in collection of Taxes on Sales, Trade etc. during 2011-12 as compared to the budget estimates to enhancement of rate of tax from four to five per cent for schedule III goods and 12.5 to 13.5 per cent for unscheduled goods.

The other departments did not inform (January 2013) the reasons for variation, despite being requested (between May and September 2012).

## 1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during 2011-12 along with the all-India average percentage of expenditure on collection in 2010-11 were as under:

(₹ in crore)

Sl. No.	Head of revenue	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2010-11
1.	Commercial Taxes <sup>4</sup>	8,414.43	66.17	0.79	0.75
2.	State Excise	1,980.98	41.24	2.08	3.05
3.	Stamps and Registration Fees	1,480.07	43.10	2.91	1.60
4.	Taxes on Vehicles	569.13	22.31	3.92	3.71

(Source: Finance Accounts, Government of Bihar)

The above table indicates that the percentage of expenditure on collection during the year 2011-12 in respect of all the taxes was more than the all-India average percentage for the year 2010-11 except in the case of State Excise.

**The Government needs to take appropriate measures to bring down the cost of collection.**

#### 1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of the principal heads of revenue as reported by the departments was ₹ 1,448.90 crore of which ₹ 379.96 crore<sup>5</sup> were outstanding for more than five years as mentioned below:

(₹ in crore)

Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than five years	Remarks
1.	Taxes on Sales, Trade etc.	1,186.98	372.60	Out of ₹ 1,186.98 crore, demands for ₹ 320.63 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 257.29 crore and ₹ 13.10 crore were stayed by the courts and the Government respectively. An amount of ₹ 595.96 crore was pending at other stages.
2.	Taxes and Duties on Electricity	2.50	1.76	Out of ₹ 2.50 crore, demands for ₹ 2.19 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 8.22 lakh was stayed by the Government and ₹ 23.01 lakh was pending at other stages.

<sup>4</sup> Gross collection by the Commercial Tax Department includes taxes on Sales, Trade etc., Taxes on Goods and Passengers, Taxes and Duties on Electricity, Other Taxes on Income and Expenditure- Taxes on Professions, Trades, Callings and Employment and Other Taxes and Duties on Commodities and Services.

<sup>5</sup> Excluding water rates (Medium Irrigation) for which particulars have not been furnished by the department.

3.	Taxes on Goods and Passengers (Entry tax)	16.51	2.77	Out of ₹ 16.51 crore, demand for ₹ 1.30 crore was certified for recovery as arrears of land revenue. Recovery of ₹ 4.50 crore was stayed by the courts and ₹ 10.71 crore was pending at other stages.
4.	Other Taxes and Duties on Commodities and Services (Entertainment tax)	10.43	2.83	Out of ₹ 10.43 crore, demands for ₹ 9.26 crore were certified for recovery as arrears of land revenue. Recovery of ₹ 23.26 lakh was stayed by the courts and Government and ₹ 93.95 lakh was pending at other stages.
5.	Medium Irrigation (Water rates)	232.48	Not furnished	Stages at which the arrears were pending for collection have not been intimated (January 2013), despite being requested (between May and September 2012).
<b>Total</b>		<b>1,448.90</b>	<b>379.96</b>	

The position of arrears of revenue at the end of 2011-12 in respect of other<sup>6</sup> departments was not furnished (January 2013), despite being requested (between May and September 2012).

### 1.5 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Taxes Department, cases finalised and demands raised as reported by the Department is mentioned below:

Head of the department	Cases pending as on 31 March 2011	Cases detected during 2011-12	Total	Number of cases in which assessments/investigation completed and additional demand including penalty etc., raised during the year 2011-12		Number of pending cases as on 31 March 2012
				No. of cases	Amount (₹ in lakh)	
Commercial Taxes	64	163	227	38	662.52	189

The other departments did not furnish the details of evasion of tax (January 2013), despite being requested (between May and September 2012).

<sup>6</sup> Registration, Excise and Prohibition (Excise); Transport; Revenue and Land Reforms and Mines and Geology.



## 1.6 Refunds

The number of refund cases pending at the beginning of the year 2011-12, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2012), as reported by the Commercial Taxes Department is mentioned below:

(₹ in lakh)

Sl. No.	Particulars	Taxes on Sales, Trade etc.		Entry tax		Entertainment tax	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	2,310	10,699.27	103	96.74	6	2.00
2.	Claims received during the year	92	1,225.43	Nil	Nil	Nil	Nil
3.	Refunds made during the year	1,019	3,698.61	Nil	Nil	Nil	Nil
4.	Balance outstanding at the end of the year	1,383	8,226.09	103	96.74	6	2.00

## 1.7 Response of the departments/Government towards audit

### 1.7.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

The PAG (Audit) Bihar conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the IRs incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

A review of IRs issued upto December 2011 disclosed that 20,979 paragraphs involving ₹ 8,754.19 crore relating to 3,858 IRs remained outstanding at the end of June 2012 as mentioned below along with the corresponding figures for the preceding two years:

	June 2010	June 2011	June 2012
Number of outstanding IRs	4,150	4,259	3,858
Number of outstanding paragraphs	21,968	22,364	20,979
Amount involved (₹ in crore)	7,876.02	10,404.30	8,754.19

The Department-wise detail of the IRs and paragraphs outstanding as on 30 June 2012 and the amounts involved are mentioned in the following table:

(₹ in crore)

Sl. No.	Name of the departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1.	Commercial Taxes	Taxes on Sales, Trade etc	588	6,051	4,014.49
		Entry tax	143	322	74.06
		Electricity duty	21	25	16.74
		Entertainments tax, luxury tax, etc.	13	21	0.61
2.	Registration, Excise and Prohibition (Excise)	State Excise	412	2,021	1,208.96
3.	Revenue and Land Reforms	Land Revenue	1,437	6,245	945.27
4.	Transport	Taxes on Vehicles	470	3,170	1,205.51
5.	Registration, Excise and Prohibition (Registration)	Stamps and Registration Fees	437	1,191	169.96
6.	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	337	1,933	1,118.59
<b>Total</b>			<b>3,858</b>	<b>20,979</b>	<b>8,754.19</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 1,317 IRs issued upto December 2011. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs.

**We recommend that the Government may take suitable steps to install an effective procedure for prompt and appropriate response to audit paragraphs. It may also consider initiating action against officials/officers who do not send replies to the IRs/paragraphs as per the prescribed time schedules or who fail to take action to recover loss/outstanding demand in a time-bound manner.**

### 1.7.2 Departmental audit committee meetings

The Government set up audit committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. No audit committee meetings were held during the year 2011-12.

**The Government may take suitable steps to hold departmental audit committee meetings at regular intervals for the settlement of outstanding IRs/paragraphs.**

### 1.7.3 Response of the departments to the draft audit paragraphs

The Chief Secretary, Government of Bihar issued directions (August 1967) to all the departments to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. As per Paragraph 207(1) of the Regulations on Audit and Accounts, the PAG forwards the draft paragraphs to the Secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the departments is invariably indicated at the end of each paragraph included in the Audit Report.

Thirty seven draft paragraphs and one performance audit included in this Report for the year ended 31 March 2012 were forwarded to the Secretaries of the concerned departments between July and October 2012 through demi-official letters.

The Principal Secretary, Commercial Taxes Department had sent partial replies of the Performance Audit and the Department also sent the replies to three paragraphs and partial replies to six draft paragraphs, Commissioner-cum-Secretary of the Registration, Excise and Prohibition (Excise) Department had sent partial replies to a draft paragraph and Transport Department had sent reply to one draft paragraph and partial replies to three draft paragraphs. We are yet to receive the replies from the departments in the remaining draft paragraphs (January 2013).

### 1.7.4 Follow-up on Audit Reports

The Manual of Instructions (1998) of the Finance Department, Government of Bihar envisaged that the Secretaries to Government of the concerned departments submit explanatory notes to the Assembly Secretariat on audit paras and performance audits included in Audit Reports (AR). Such notes were required to be submitted after vetting in audit within two months from the date of presentation of the ARs to the State Legislature without waiting for any notice or call from the Public Account Committee (PAC).

We reviewed the position and found that as of November 2012, 10 departments had not furnished the explanatory notes in respect of 71 paragraphs included in the Audit Reports for the years between 1990-91 and 2010-11 for vetting. The delay ranged from one month to over 18 years as mentioned below:

Sl. No.	Department	Year of Audit Report	Month in which the Audit Report presented in the Legislature	Month in which Departmental notes were due	Number of paragraphs for which Departmental notes were due	Delay in months
1.	Finance	2004-05	March 2006	May 2006	1	78
2.	Commercial Taxes	2005-06 to 2010-11	July 2007 to August 2012	September 2007 to October 2012	34	1 to 62

3.	Registration, Excise and Prohibition (Excise)	1990-91, 1999-2000, 2010-11	March 1994, March 2002, August 2012	May 1994, May 2002, October 2012	3	1 to 222
4.	Revenue and Land Reforms	2004-05 to 2005-06, 2008-09	March 2006 to July 2007, July 2010	May 2006 to September 2007, September 2010	4	26 to 78
5.	Registration, Excise and Prohibition (Registration)	2003-04, 2008-09, 2010-11	Dec. 2005, July 2010, August 2012	February 2006, September 2010, October 2012	5	1 to 81
6.	Transport	2000-01, 2010-11	Dec. 2003, August 2012	February 2004, October 2012	7	1 to 105
7.	Forest and Environment	2005-06 to 2007-08	July 2007 to July 2009	September 2007 to September 2009	6	14 to 62
8.	Water Resources	1995-96, 1997-98, 2005-06 to 2010-11	March 1997, August 1999, July 2007 to August 2012	May 1997, October 1999, September 2007 to October 2012	9	1 to 174
9.	Urban Development	1997-98	August 1999	October 1999	1	157
10.	Road Construction Department	2010-11	August 2012	October 2012	1	1
<b>Total</b>					<b>71</b>	

The delay in submission of explanatory notes was indicative of the fact that the heads of the offices/departments did not take prompt action on the important issues highlighted in the Audit Reports that involved large sums of unrealised revenue, the recovery of some of which could be barred by limitation now.

### 1.7.5 Compliance with the earlier Audit Reports

During the years between 2006-07 and 2010-11, the departments/Government accepted audit observations involving ₹ 1,439.91 crore of which an amount of ₹ 3.57 crore only was recovered as on 31 March 2012 as mentioned below:

(₹ in crore)

Year of Audit Report	Amount involved in the Audit Report	Amount accepted	Amount recovered
2006-07	206.42	61.40	0.82
2007-08	523.80	417.49	1.48
2008-09	838.92	709.78	0.02
2009-10	977.82	96.16	0.04
2010-11	893.61	155.08	1.21
<b>Total</b>	<b>3,440.57</b>	<b>1,439.91</b>	<b>3.57</b>

The above table indicates that the recovery in respect of the accepted cases was meagre (0.25 per cent) as compared to the accepted money value.

**The Government needs to take necessary steps for prompt recovery of the amounts involved, at least in the accepted cases.**

## 1.8 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the departments/Government, the action taken on the paragraphs and reviews included in the Inspection Reports/Audit Reports in respect of **Registration, Excise and Prohibition (Excise) Department** was evaluated. The succeeding paragraphs 1.8.1 and 1.8.2 discuss the performance of the Department to deal with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2001-02 to 2010-11.

### 1.8.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on November 2012 are mentioned in the following table:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
2001-02	116	733	28.37	20	195	40.15	Nil	Nil	Nil	136	928	68.52
2002-03	136	928	68.52	28	91	0.13	Nil	Nil	Nil	164	1,019	68.65
2003-04	164	1,019	68.65	20	106	4.56	Nil	Nil	Nil	184	1,125	73.21
2004-05	184	1,125	73.21	35	175	43.23	Nil	Nil	Nil	219	1,300	116.44
2005-06	219	1,300	116.44	34	165	149.33	Nil	Nil	Nil	253	1,465	265.77
2006-07	253	1,465	265.77	27	108	86.23	11	77	15.28	269	1,496	336.72
2007-08	269	1,496	336.72	30	126	109.98	Nil	Nil	Nil	299	1,622	446.70
2008-09	299	1,622	446.70	21	48	20.29	Nil	Nil	Nil	320	1,670	466.99
2009-10	320	1,670	466.99	42	168	346.15	1	12	11.05	361	1,826	802.09
2010-11	361	1,826	802.09	42	161	349.44	Nil	4	0.10	403	1,983	1,151.43

In view of heavy accumulation of pending IRs/paragraphs, the responsibility of disposal of pending IRs and paragraphs upto the year 1995-96 was left to the Department (August 2006) except in cases of outstanding paragraphs (Audit Reports), performance audits, cases pending in Hon'ble courts and cases of defalcation in which the final decision rests with the PAC/Hon'ble Courts.

### 1.8.2 Assurance given by the Department/Government on the issues highlighted in the Audit Report

#### 1.8.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years and those accepted by the Department are mentioned below:

Year of AR	Number of paragraphs included in AR	Money value of the paragraphs (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Position of recovery in accepted cases as reported by the Department (₹ in lakh)
2001-02	4	23.96	3	8.60	118.21
2002-03	1	78.95	1-Partial	0.49	153.64

2003-04	5	6.08	Nil	Nil	20.00
2004-05	3	11.65	Nil	Nil	Nil
2005-06	3	26.91	Nil	Nil	Nil
2006-07	9	80.86	1	0.88	3.13
2007-08	4	53.85	Nil	Nil	35.88
2008-09	2	123.57	Nil	Nil	Nil
2009-10	1	105.68	1-Partial	10.72	3.02
2010-11	1	4.35	Nil	Nil	Nil
<b>Total</b>	<b>33</b>	<b>515.86</b>	<b>6</b>	<b>20.69</b>	<b>333.88 or, 3.34 crore</b>

The preceding table shows that out of ₹ 515.86 crore involved in 33 paragraphs included in the Audit Reports for the years 2001-02 to 2010-11, the Government/Department accepted ₹ 20.69 crore involved in six (two partial) paragraphs against which recovery of ₹ 3.34 crore (16.14 per cent) could only be effected.

**The Government/Department may take effective steps for recovery of Government revenue in accepted cases.**

### 1.8.2.2 Action taken on the recommendations accepted by the departments/Government

The draft reports on performance audits conducted by the PAG are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These reports on performance audits are also discussed in an exit conference and the departments/Government's views are included while finalising the performance audits for the Audit Reports.

Two performance audits containing eight recommendations were featured in the Audit Reports for the years 2002-03 and 2009-10 on receipts of State Excise Department. We are yet to receive any information regarding acceptance of the recommendations and action taken thereon (August 2012) as detailed below:

Year of AR	Name of the performance audits	Number of recommendations
2002-03	Working of State Excise Department	3
2009-10	Levy and collection of State Excise revenue	5

## 1.9 Audit Planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* includes critical issues in Government revenues and tax administration *i.e.* budget speech, White Paper on State finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years *etc.*

During the year 2011-12, the audit universe comprised of 951 auditable units, of which we audited 185 units as mentioned below:

Sl. no.	Principal heads of revenue	Total no. of units	No. of units audited
1.	Commercial Taxes	55	40
2.	State Excise	49	24
3.	Taxes on Vehicles	48	34
4.	Stamps and Registration Fees	139	33
5.	Land Revenue	612	29
6.	Non-ferrous Mining and Metallurgical Industries	48	25
<b>Total</b>		<b>951</b>	<b>185</b>

Besides the compliance audit mentioned above, we also conducted a performance audit namely '**Internal Control Mechanism in Commercial Taxes Department**' to examine the efficacy of the tax administration of these receipts which are featured in this Audit Report.

## 1.10 Results of audit

### 1.10.1 Position of local audit conducted during the year

We conducted test-check of the records of 185 units of commercial taxes, State excise, taxes on vehicles, land revenue, non-ferrous mining and metallurgical industries and other departmental offices for the year 2011-12 and observed underassessment/short levy/loss of revenue of ₹ 1,369.51 crore in 1,816 cases. During the course of the year, the departments concerned accepted underassessment and other deficiencies of ₹ 246.47 crore involved in 499 cases of which 88 cases involving ₹ 24.89 crore were pointed out in audit during 2011-12 and the rest in the earlier years. The departments collected ₹ 2.32 crore in 47 cases during 2011-12.

### 1.10.2 This Report

This report contains 37 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in the earlier reports) and one performance audit on '**Internal Control Mechanism in Commercial Taxes Department**' relating to short/non-levy of tax, duty and interest, penalty *etc.* involving financial effect of ₹ 568.99 crore. The departments/Government have accepted audit observations involving ₹ 64.94 crore out of which ₹ 47.05 lakh has been recovered. These paragraphs/performance audit are discussed in the succeeding chapters II to VI.

